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SUBJECT: ANGOLA'S EXPANDING BANKING SECTOR

¶1. (SBU) Summary. The Angolan banking sector continues its rapid growth with two new Angolan-owned banks opening in June, bringing the total number of banks to seventeen, a thirty-five percent increase over two years ago. In addition, Angola's Banco BIC will expand to open a new Portuguese bank. The Angolan banking sector is also expanding to the provinces but the range and quality of services is limited. End Summary.

President's Daughter Expands into Portuguese Banking

¶2. (SBU) According to the Portuguese newspaper, Diario de Noticias, Isabel dos Santos, daughter of Angolan President Jose Eduardo dos Santos, and Americo Amorim of the Portuguese Amorim Group have received approval by the Portuguese Central Bank to open a bank in Portugal. The bank, Banco BIC, will operate as a branch office of the Angolan Banco BIC, but will in fact be incorporated in Portugal. Isabel dos Santos and Amorim are also the principal shareholders in Angola's International Bank of Credit, Banco (BIC), which in two years has become Angola's third largest bank. Isabel dos Santos and Amorim are the major shareholders of the Portuguese Banco BIC and have already announced that Mira Amaral, a former Portuguese Minister of Finance, will serve as CEO of the Bank. Isabel dos Santos and Amorim are partners in many Angolan businesses, from banking to cement manufacturing, and are also starting up an insurance company.

Fininbanco

¶3. (U) The Portuguese Bank Fininbanco announced on June 14 that it had received approval from the Angolan Council of Ministers to establish a bank. Fininbanco Angola will have starting capital of USD 10 million. Fininbanco-Holding owns 60 percent of the shares; the Portuguese group Iberpartners 7.5 percent, and Angolan private businesses 32.5 percent. Fininbanco Angola will be an investment bank offering corporate and asset management services.

BANC Bank

¶3. (SBU) The new Angolan Bank of Trade and Business (BANC) opened its doors on June 15. BANC started with USD 5 million in capitalization and aims to be a new strategic partner in countries such as Portugal, Brazil and Spain. Stanley Ho's Geocapital was slated to go in with a fifty percent stake but pulled out of the deal at the last minute. (Note: Stanley Ho is a prominent Macau businessman whose properties include, among others, Macau's Lisboa Hotel and Casino and the Emperor casino in North Korea's Rajin-Sanbon Special Economic Zone. End note.) The bank now plans to sell 40 percent of its shares to an unidentified international partner. However, rumors identify Minister of Finance Jose Pedro de Moraes as both the new Bank's landlord and a principal shareholder. Note: Angola has no conflict of interest statutes or regulations in place. End note.

How much growth is too much growth?

¶4. (SBU) While the banking system is holding USD 10 billion in deposits, according to the government-owned Jornal de Angola, the banking system is only offering 40 percent of that in credit. Speaking at the inauguration of BANC, Deputy Prime Minister Aguinaldo Jaime gave a much lower figure of three percent. The new Angolan banks appear to be looking to overseas investments in order to offer their depositors some return on their money.

¶5. (SBU) Comment: Angola's banking sector is expanding by leaps and bounds, the number of banks growing by one-third from 2005 to July 2007. Still, the range of banking services is weak and customer service even weaker. Looking at the phenomenal rise of Banco BIC, it is easy to assume that clients moved their business to BIC to support the President's daughter. While probably true, industry insiders also credit Banco BIC's success to management's hiring top-notch bankers, offering a wider range of banking services and providing better service delivery through an expanded network of retail branches sprouting up around the countryside. It is difficult to say for how long the sector can support this accelerated level of growth; Angola's dearth of skilled labor will certainly hamper provincial expansion. Sector experts expect that the next step will be mergers and acquisitions within the current pool. However, for banks to play a greater role in the country's economic development further reform of the financial sector will be necessary.
FERNANDEZ